

Labour and Socio Economic Development: Laos PDR

A Discussion Paper

Prepared by the International Labour Organisation
for the Ministry of Planning and Investment, Lao PDR

Introduction

This paper has been prepared in the context of the mid term review of the Sixth National Socio Economic development Plan with implications intended for Seventh Plan and beyond. It seeks, at the same time, to give due recognition to the Master Plans of the Ministries of Labour and Social Welfare and Education as valid and valuable inputs to the national planning process in confronting labour issues. Overall the aim and intent of this paper is to highlight key issues and constraints which need to be addressed in order to best facilitate the role of labour in helping to achieve the development goals of the Lao PDR.

Part I: Major Issues and Challenges for Management of the Labour Market

In preparing a discussion paper on labour and labour market issues in Laos, there is little difficulty in identifying, in general terms, the major issues which need to be addressed: the need for jobs and incomes; the need to meet labour skills shortages; the need to deal more effectively with labour migration (inwards and outwards); and the need to better define and implement the rule of labour law and labour protection.

The major constraint in defining them in more than general terms and, hence, being able to formulate more than general policy to deal with them, is that there is virtually **no reliable statistical data available** by which to quantify or analyse their impact or significance. Hence, it is crucial to note at the outset of this paper that there is a serious need to find ways and means of collecting the kinds of labour market data which is essential for analysis and evaluation of labour market needs, for formulating policy goals, establishing service delivery targets and measuring progress in achievement. The nature of the problem will be further elaborated in respect of each of the issues outlined below. It will, therefore, be a recurring issue throughout this paper.

An outline of some of the major dimensions of the four key issues is set out as follows.

Issue 1: The need to create more employment and income earning opportunities

Notwithstanding lack of data to quantify it, it is widely held and accepted that there is a serious imbalance in the Lao labour market between, on the one hand, the number of people who would like to gain better access to paid employment or to more effective income generating self employment; and the number of paid jobs and or cash earning opportunities which are currently available and able to be accessed. It is worth noting that the absence of aggregate data also means that there is no cross classification data, meaning that the distribution of unemployment between regions, gender, age group,

occupational groups, skills categories and educational groups and so on, is also unavailable for analysis, planning or evaluation of progress in dealing with it.

At the same time it is fair to say that considerable effort is going into seeking to create more employment opportunities – both employed and self employed, most of which is well conceived; in both the formal and informal sectors.

In the agricultural sector, the efforts to enhance productivity and to assist in generating cash products and activities are well intentioned enough, but the anecdotal evidence suggests that there are some weaknesses which might be rectified by better coordination of policy and service delivery. For example, small business training opportunities aimed at enhancing the income earning capacity of farmers and their families is available from several providers but there is little evidence that the genuinely poor from the agricultural (or any other) sector are able to access it as well as they might because of such things as (i) costs of travel, (ii) course fees and post training set up costs; and (iii) a shortage of or lack of awareness of available sources of help in the form of loans or grants.

Again, there is no reliable data collected which can enable quantification or analysis. This does not prevent looking at ways which might be considered to address this kind of problem, but it would certainly enable better policy if it was possible to at least quantify it; and even better if it could be cross classified in useful ways such as region, sector and gender. One approach to improvement would be to find ways and means to better coordinate (and/or make more flexible) the training available from various agencies and donors as well as to provide some links between micro credit or small grants to assist the poor to gain access to and make more effective use of the training and advice which is available if access to it can be gained. This could be achieved much more cost effectively if there was data available which helped to identify who is able to get access and who is not; thus enabling those who are missing out to be specifically targeted..

A more problematical approach to enhancing the availability of cash incomes to (mainly, but not solely) rural areas is the well established practice of cross border, mostly illegal, migration to Thailand. While it does help to some extent to resolve some of the cash needs at this level it brings with it a whole range of other problems which to date have defied effective solution. This issue is addressed again, below, under *Issue 3: the need to rethink policy and more effectively manage labour migration*.

In the industry and services sectors, considerable efforts are being made to enhance the investment climate both for foreign and local investors and entrepreneurs, primarily to promote growth in GDP but with the expectation that such growth will also create jobs and incomes directly and, additionally, through flow on multiplier effects, including opportunities for self employment and small business. In this context this paper simply endorses strategies of this kind as, for example, the approaches being taken by government to simplify and promote investment and entrepreneurial activity, including that of the SME Promotion and Development Office.

Growth in GDP is certainly proceeding well – at 7-8% pa – but no information is available from which to make any better than educated guesses about the contribution

it is making to the demand for labour. Again, mainly by anecdote, there is a strong view that while jobs are certainly emerging from general growth in investment and GDP, there are serious shortages of skills and deficiencies in work attitudes evident in the supply of Lao labour and many of the emerging jobs are being taken up by workers from the bordering countries, to a large extent illegally. Again, there is no hard data to assess the real impact of this.

Issue 2: The need to achieve a much more adequate supply of skilled workers to meet labour market demand

It is widely believed that there is a serious shortage of skilled Lao workers available to take up paid work in the industrial and services sectors. Again, however, there is no statistical evidence either to identify or quantify or otherwise define the skills in short supply or to cross classify them according to key areas such as skill category, occupational category, industrial sector or geographical area.

As noted above, anecdotal evidence suggests that skilled workers from bordering countries are entering illegally to take many jobs which Lao could do if they had both the skills and the work attitudes of these foreign workers.

The skill of the labour force had been raised, but slowly when compared to the pace of economic development, especially in terms of meeting current and emerging market needs. It is essential to facilitate access to training opportunities, especially among disadvantaged persons outside the capital (e.g. women, poor persons, youth in rural areas, persons in remote areas) in terms of physical access and training fee. It is equally important to elevate the functioning of training centres by recruiting competent instructors (which calls for raising remuneration), developing effective curriculums, and upgrading facilities and equipments.

The problem goes right to the heart of education and past deficiencies in primary education are still being blamed as hampering current ability to absorb skills and technical training of many kinds –with the problem being more pronounced for girls because they have suffered lower participation rates in primary education. This issue is being addressed in the Master Plan of the Ministry of Education and, in addition, it is clear that considerable effort is going into seeking to make a quantum leap forward in improving skills training facilities, per se. In that context and, in that sense, the Master Plan for Technical and Vocational Training and related parts of the Master Plan of the MOLSW are very well conceived and warrant comprehensive support in the remainder of the sixth NSEDP and into the seventh..

Clearly, there is a need to enhance the facilities for skills training, and their accessibility, so that Lao workers can be trained to be in a position to take up skilled jobs as they emerge. There is also a need to provide financial support to enable the poor to have access to skills training to, in turn, enable their access to small scale entrepreneurial activity as well as paid employment options.

Similarly there is a strong need to be able facilitate the rapid transfer of graduates from skills training into paid employment and/or self employment.

Issue 3: The need to rethink policy and more effectively manage labour migration

Labour migration takes place in several contexts, each bringing a somewhat different perspective to the issue of an overall policy framework.

The highest profile context is the on going cross border movement of Lao workers (mainly but not exclusively from rural areas) into Thailand, especially those who stay more or less permanently, mostly without any proper documentation so that technically they are classified as “illegal”. It is generally believed that there are more than 200,000 Lao currently working and living in Thailand and more than 50,000 have been given legal status under amnesty. The major concern with this group, including those who continue to follow the same path, is that the fact that they are technically illegal immediately exposes them to risk and danger from variety of exploitative, corrupt and harmful practices; and studies suggest that about one in five have bad experiences. There is no statistical data collected about illegal migration flows, even though village records could easily be accessed to provide quite reasonably accurate information.

The second context is in the arrangements which have been put in place in the form of an MOU with Thailand providing for a system of legal migration for work in Thailand. In practice this system has proven slow and cumbersome. It has delivered relatively few workers to fill only a small proportion of the available jobs; nor is there is any evidence that legal migration sponsored under the MOU has had any effect in terms of reducing the flow of illegal migration.

The third labour migration context concerns illegal entry to Laos by workers from bordering countries as already outlined above. There is some ambiguity on this issue. On one hand it is felt that these workers are taking jobs away from Lao workers; but on the other side it is also argued that despite their illegality they are needed to provide the skills which the Lao labour force does not have. One point of view is that illegal workers should be identified and deported; but the other is that the labour market really does need the skills and work ethic they supply and a way should be found to utilise them while the need is there. Again, lack of any data makes a proper assessment impossible but a policy solution is needed nonetheless.

The essential concern with irregular migration from Laos to Thailand is not that migration is “bad” per se, but that crossing the border without a legal travel document and/or without legal authority to work in Thailand opens the way to substantial dangers and risks of exploitation, corruption and ill-treatment. Hence, the primary concern in this situation should perhaps not be seen as being to ensure that certain documents are carried and protocols followed, but to try to create a situation in which the dangers and risks which derive specifically from not having documentation are minimised by requiring perhaps no documentation at all – or something very easy to acquire. One option to consider might be to simply open the border for labour migration between the bordering countries of this region; creating a common labour market. This is a scenario which ASEAN has on its longer term agenda but circumstances – certainly as they affect the Lao labour market – make it an issue may be well worth bringing forward to a current agenda, at least for Laos and the countries which it borders. It is a solution which would solve a lot of problems of technical illegality (and all that brings with it) as well as enabling workers and skills to flow more readily to where they can contribute most to the prosperity of the whole region. If an effective solution of this kind is found, then the task of formal employment services in facilitating orderly labour migration would become much simpler and

more effective in getting the best overall value out of the labour market(s) in this region.

Further reduction in the need to migrate by irregular means – or at all – might be achieved by creating a domestic employment service which would provide a placement service between Lao job seekers and Laos based jobs; an information and advisory service concerning Laos based opportunities for skills development and self employment; and an advisory service for those contemplating labour migration concerning the legal method most appropriate to their specific needs. It is worth noting here that an employment service of this kind could also have a very important role to play in facilitating the best utilisation of job opportunities emerging from investment growth, from SME development and as more graduates from better technical and vocational training arrangements begin to come onto the labour market and become available to meet skills shortages. See Part II of this paper, below, for further elaboration

Together, these proposals would require substantial changes to the current policy and operational processes of both cross border and domestic employment services in Laos PDR.

Issue 4: The need for better management of the labour law and labour protection responsibilities

The **Labour Law promulgated in 2006** has not yet been elaborated with a Decree or with any operational guidelines. The delay appears to rest heavily on a significant institutional weakness within the MOLSW and casts significant doubt on its capacity to implement the provisions of the Law; effectively leaving labour rights and protections of all kinds at real risk of being ignored.

Further concern arises from the fact that a new trade Union law appears to have been passed without reference to the MOLSW and with some degree of potential conflict or inconsistency with the Labour Law. This mission was not in a position to analyse these claims but the fact that they were made suggest that there may be reason to look more closely into the effectiveness of the MOLSW and its working relationship with its tripartite partners.

It is crucial to raise the capacity of government officials both at the central and decentralized levels, in terms both of administrative skills and technical skills on issues such as wages fixation, dispute settlement, OSH, child labour, gender equity and workers with disability. In this context, it is fair to say that Laos is currently seriously deficient in its capacity to promote and ensure good practice and balance in the distribution of benefits between employers and workers, in protecting their respective rights and obligations, in resolving disagreements and disputes between them and in ensuring non-discriminatory equal opportunity to share in all levels of job opportunities and benefits for women, workers with disabilities, and other socially weaker groups and individuals. All of these capabilities are needed to support development goals concerned with poverty reduction.

The MOLSW does seek to address these issues in its **Master Plan** – both in its current 5 year master plan and in the long term plan. It will shortly submit these plans to the

national planning process for the seventh plan and the issues and proposals as presented do warrant careful attention and a positive response.

Part II: Institutional Capacity Building: Priorities to facilitate more rapid and effective delivery of labour market policy in the context of implementing the balance of NSEDP6 and into NSEDP7 and beyond

The analysis above has highlighted four main labour market issues and in particular the need for enhanced capacity to manage and deal with those issues in the context of national goals. It has also alluded quite bluntly to the need for a major improvement in the availability of labour market information; to the need for a newly formed and carefully formatted national employment services network specifically designed to facilitate the Lao labour market; and to the need to strengthen the capacity of the MOLSW to play its part in the application of the Labour Law and the kinds of social protection which that function is intended to achieve. The following paragraphs aim to clarify and elaborate these institutional capacity building priorities; with emphasis on their potential to facilitate much more effective specification and rapid achievement of national goals.

Priority 1: To establish a **Labour Market Information capability to assist in all aspects of labour force and labour market analysis, policy formulation and evaluation**

The foregoing analysis began with an indication that the paucity of data available to assist in managing the Lao labour market would be a recurring theme. This has clearly been the case throughout Part 1 and the lack of hard data is a problem for analysis, planning, monitoring of progress and evaluation for every agency with an interest in solving any part of any of the major issues impacting on the Lao labour market as outlined above. A good indication of the nature of the data to be collected has been stated and implied in the above analysis and need not be repeated here.

Priority 2: To establish a one-stop-shop National Employment Service capability.

The process of matching employer demand for labour with job seeker search for jobs is almost completely unorganised in Laos. There is no formal employment service agency serving the domestic labour market at all. The recent ILO Report on Promoting Orderly Labour Migration from Laos to Thailand (April 2008) proposed, amongst other things, that a significant part of solving the problem of irregular migration in search of work must be seen in more effectively promoting access to the job opportunities in Laos i.e. those emerging in the domestic labour market in response to private sector development and investment; through the availability of programmes promoting and supporting self employment and small business opportunities; and through emerging opportunities in skills training. The Report further proposed that this process should be supported by setting up a formal, public employment service network which would

- directly register job vacancies in all sectors thus assisting employers with recruitment of the most appropriate workers for work in Laos and in Thailand

- directly register job seekers and match them with job vacancies from the private and public sectors with job seekers throughout Laos and with approved vacancies for work in Thailand
- provide information and advice to employers, investors and job seekers about such things as:
 - *skills development opportunities and means of access to them*
 - *self-employment, micro finance and small business training options and access to them and to supporting funds*
 - *successful village development models*
 - *personal job search skills such as preparing a curriculum vitae and job application, presenting at an interview and related matters*
 - *the travel-smart-work-smart, safe-migration concept*
 - *the risks and dangers of irregular migration*

The creation of an institutional capacity of this kind would make a major contribution to supporting action to deal with minimising unemployment; maximising self employment; facilitating access into skills training and from skills training to employment; supporting EEO; circulating information about pay rates and acceptable employment practices and conditions of work. At the same time it would be able to collect a large and highly reliable set of dynamic data about the nature and flow of jobs and job seekers; identifying supply/demand imbalances in the labour market at an early stage; and facilitating policy formulation aimed at getting the best possible value from the Lao labour market. In the process it would also provide a valuable complement to the LMI system as suggested above.

Priority 3: To strengthen the institutional capacities of, and the consultative and cooperative arrangements between the MOLSW, LFTU and LNCCI for the elaboration and implementation of the labour and related laws and their implementation in the interests of equity and poverty reduction

The MOLSW is currently deficient in its capacity to promote and ensure good practice and balance in the distribution of benefits between employers and workers, in protecting their respective rights and obligations, in resolving disagreements and disputes between them and in ensuring non-discriminatory equal opportunity to share in all levels of job opportunities and benefits for women, workers with disabilities, and other socially weaker groups and individuals. All of these capabilities are needed to support development goals concerned with poverty reduction and they would be best achieved by a concerted effort to strengthen not only the MOLSW but also LFTU and the LNCCI, especially in terms of their consultative and cooperative arrangements.

The current draft Master Plan of the Ministry aims to make progress in this area but it is suggested here that there may be value in seeking external expertise to assist in achieving the best possible improvements as rapidly as possible. A full scale review of this part of the MOLSW might aim both to clarify and focus its overall role, legal framework and resource base and propose a strategy for rapid advancement in its legal framework, policy formulation and service delivery capability. At the same time, to include action to enhance the capacities of the LFTU and the LNCCI and their abilities to contribute to the elaboration and implementation of the labour law would add significantly to the overall capability to achieve these goals.